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# Glossary of Budget Terms

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**Allocable Revenue**—Revenue earned, collected, and used by the agency responsible for generating the revenue.

**Amendment**—A proposed change to a budget that is not yet finally approved but that has been formally submitted to the legislative branch.

**Annualization**—A budget increase to provide full-year budget authority for an item only partially funded in the prior-year budget.

**Appropriated Revenue**—Revenue collected by an agency on behalf of the District Treasury to support the operations of all agencies.

**Appropriation**—Authority to spend funds appropriated by Congress and financed by general District revenues.

**Appropriation Group**—One of nine broad areas into which the District categorizes services to its citizens: Governmental Direction and Support, Economic Development and Regulation, Public Safety and Justice, Public Education System, Human Support Services, Public Works, Receivership Programs, Financing and Other, and Enterprise Other Funds.

**Attrition**—Voluntary losses of employees as a result of retirement or resignation.

**Bond**—The borrowing method by which governments raise large sums of money (bonds are officially called *debt securities*). Bonds usually have a principal amount and an interest rate set as a percentage of the principal. The principal is paid at maturity; the interest is generally paid semi-annually. Example: A government issues \$10,000,000 in five-year bonds at 5% interest. Five years later, the \$10,000,000 principal must be repaid to the bondholders; meanwhile, \$500,000 would have to be paid in interest each year (\$250,000 semi-annually). When all the bonds issued at one time are payable on the same date, they are called *term bonds*; when bonds issued at one time are payable on different dates, they are called *serial bonds*.

**Bond Rating**—An independent assessment of the creditworthiness of a bond (or note or any other security of indebtedness). The three primary rating agencies are Standard & Poor's (S&P), Moody's Investor Services (Moody's), and Fitch ICBA, Inc. (Fitch ICBA). (The table below gives their bond rating codes.) Bond ratings measure the probability of timely repayment of both principal and interest. Generally, a higher credit rating makes a bond more marketable.

Rating	S & P	Moody's	Fitch ICBA
Best Quality; extremely strong capacity to repay principal and interest	AAA	Aaa	AAA
High Quality; very strong capacity to repay principal and interest	AA	Aa	AA
Upper Medium Quality; strong capacity to repay principal and interest	A	A	A
Medium Grade; adequate capacity to repay principal and interest	BBB	Baa	BBB
Somewhat Speculative;	BB	Ba	BB
Low Grade, Speculative	B	B	B
Low Grade, Partial Recovery Possible	CC	Caa	CCC
Low Grade, Default Recovery Possible	CC	Ca	CC
Recovery Unlikely	C	C	C

**Budget**—A plan of financial and operational intent embodying an estimate of proposed expenditures and means of financing for a given period.

**Budget Authority**—Legal authority to enter into obligations that will result in expenditures. It may be classified by length (one-year, multiple-year, no-year), timing of (current or permanent), or the manner of determining the amount available (definite or indefinite).

**Budget Category**—An operating budget expenditure classification: either personal services (PS) or nonpersonal services (NPS).

**Budget Establishment**—The period immediately preceding the beginning of the budget fiscal year during which final revenue, intra-District, and expenditure budgets are prepared and entered into the formal accounting records of the District.

**Budget Modification**—A change in any portion of the budget during the fiscal year.

**Budget Preparation**—The planning and development process from the initial budget call through final approval by Congress.

**Budget Reserve**—Funds earmarked for special purposes to protect the District against unforeseen expenditures and shortfalls in revenue.

**Capital Improvements Program**—A six-year plan for construction, modernization, or replacement of District-owned facilities. As annually revised, this plan provides the basis for future capital budget requests.

**Certificates of Participation (COP)**—A method of financing lease purchases where the lessor assigns the lease and lease payments to a trustee. The District as lessee buys property under contract from a private corporation, another public entity, or a special-purpose nonprofit corporation. The lessor receives a portion of each payment as tax-exempt interest. The lease underlying the COP will usually state the general obligation (GO) bond the District has issued to finance the transaction.

**Chart of Accounts**—The record of expenses incurred and revenues received by District agencies.

**Community Development Block Grant (CDBG)**—The federal grant that supports housing, economic development, health and human services, and planning and administration.

**Component Unit**—A legally separate organization for which elected officials of the District are finan-

cially accountable because some or all of the governing bodies of the organization are appointed by the Mayor with the consent of the Council.

**Comprehensive Automated Personnel and Payroll System (CAPPS)**—The automated payroll system used by the District.

**Comprehensive Annual Financial Report (CAFR, pronounced cay-fer)**—An annual financial report issued by state and local governments. It has three sections: introductory, financial, and statistical. Some but not all of what goes into the CAFR is shaped by the Governmental Accounting Standards Board (GASB), the current authoritative source for governmental generally accepted accounting principles (GAAP). Groups that rely heavily on the CAFR are bond rating agencies and institutions that buy and sell government bonds.

**Consolidated Plan**—The single plan required by the U.S. Department of Housing and Urban Development incorporating all the following federal grant programs: Community Development Block Grant, HOME Investments Partnerships Program, Emergency Shelter Grants (ESG), and the Housing Opportunities for Persons with AIDS (HOPWA) grant.

**Continuing Full-time (CFT) Positions**—Full-time positions that the District has congressional authority to fill. Although authorized, some CFT positions may not be filled because of funding constraints.

**Control Center**—The basic unit of budgetary and financial control within agencies in the District's financial management system. Each District agency is composed of one or more control centers.

**Current Services Budget**—An estimate of the funds needed to continue current levels of service in the next fiscal year.

**Debt Service**—Scheduled payment to bondholders of interest and principal to retire bond indebtedness.

**Emergency Shelter (ESG)**—Federal grants to provide capital and operating support for emergency shelters and transitional housing for the homeless.

**Encumbrance**—Funds committed for the payment of goods or services ordered but not yet received.

**Enterprise Funds**—Budget and accounting units created for particular purposes, such as water and sewer or other self-sustaining operations, to separate the revenue and financial control of such operations from the District's General Fund.

**Entitlement**—A service or grant that under District or federal law must be provided to all applicants.

**Expenditure**—A payment for goods or services received.

**Federal Funds**—Funding (usually in the form of grants) provided by the federal government to support federally mandated programs like Medicaid. These funds are earmarked for a particular purpose or program and cannot be re-allocated to other programs.

**Fringe Benefits**—Employee compensation in addition to wages or salary, including life and health insurance and retirement and social security contributions.

**Full-time Equivalent (FTE)**—An employment indicator that translates the total number of hours worked in a year by all employees, including part-time workers, to an equivalent number of work years. Example, 2,080 hours worked equals 1 FTE; 1,566 hours worked equals 0.75 FTE.

**Fund**—A budgeting and accounting device used to separate revenues, related obligations, and expenditures for one purpose from those for other purposes.

**Fund Accounting**—Method of providing information on receipts and disbursements in separate categories ("funds") according to the purpose for which they are to be used.

**Fund Balance**—The difference between expenditures and revenue in a given year (*annual* fund balance) or the sum of previous annual fund balances (*accumulated* fund balance).

**General Fund**—The record of current assets, current liabilities, revenues, and expenditures arising from general government operations. Its main revenue sources are taxes and other income.

**General Fund Deficit**—In the District, an amount representing unfunded expenditures and obligations accumulated primarily before home rule.

**General Obligation Bonds**—Bonds sold by a municipal government to private investors to provide long-term financing for capital projects; they are repaid from General Fund revenues.

**Generally Accepted Accounting Principles (GAAP)**—The uniform standards for financial accounting and reporting that the District follows, governing the form and content of financial statements.

**Government Finance Officers Association of the United States and Canada (GFOA)**—The premier association of public-sector finance professionals, dedicated to providing high-quality support to state and local governments.

**Government Performance and Results Act (GPRA)**—The law requiring a direct relationship between the use of federal funds and the delivery of services. Many federal grants require that GPRA performance measures be used in reporting.

**Governmental Accounting Standards Board (GASB)**—The private nonprofit body that establishes and improves accounting and financial reporting standards for more than 84,000 governmental units in the United States. Governments must follow GASB standards to obtain clean opinions from their auditors; failure to do so can adversely affect attempts to issue bonds.

**Grant**—A contribution of assets (usually cash) by one government unit (typically state or federal) to another government unit or organization (typically local) for a specified purpose.

**Gross Budget**—A total amount that includes resources from all funding sources.

**HOME Investment Partnerships Program (HOME)**—A federal grant program to provide housing for low-income persons.

**Indirect Costs**—Administrative overhead costs incurred in managing grant programs.

**Inflation**—An increase in the prices of goods or services, resulting in a decline in the current purchasing power of money.

**Infrastructure**—Long-lived assets such as highways, bridges, buildings and public utilities.

**Interest Accrual**—The amount of interest owed on borrowings but not payable until a later date.

**Intra-District**—An accounting mechanism used to track payments for services provided by one District agency to another.

**Local Funds**—Both tax and non-tax revenues that are not earmarked for particular purposes and are allocated to fund District programs (similar to a General Fund).

**Mandate**—Any responsibility, action, or procedure imposed by one government on another through constitutional, legislative, administrative, executive, or judicial action as a direct order or as a condition of aid.

**Match**—A cash or in-kind services contribution required to supplement or equal a grant or gift as a condition for receiving the grant or gift.

**Mission**—The reason for the existence of an agency.

**Nonpersonal Services (NPS)**—A budget category for reporting other than personnel-related expenditures, such as supplies, utilities, communications and rent, subsidies and transfers, equipment and equipment rental, or debt service.

**Nonrecurring Expenditures**—One-time expenditures for special items, such as a new fire truck or a computer system, that do not need to be budgeted for again in the year after their purchase.

**North American Industry Classification System (NAICS, pronounced “nakes”)**—A uniform system for classifying industries in the U.S., Canada, and Mexico, the three parties to the North American Free Trade Agreement. In the United States, NAICS will replace the Standard Industrial Classification (SIC), which federal, state, and local governments, the business community, and the public have used since the 1930s. The three countries plan to update the system every five years.

**Object Class**—A budget classification that breaks down the general categories of personal and non-personal services into more specific types of expenditure, such as Fringe Benefits (Object Class 14) or Supplies (Object Class 20).

**Objectives**—Measurable activities to achieve the overall mission of a program.

**Obligations**—Expenditures already made plus the cost of commitments requiring future payments.

**Occupational Classification Codes (OCCs)**—Classification system used to identify employees by function. The eight major OCCs are based on the following job descriptions:

- *Officials and Administrators*—Employees who make broad policies, are responsible for implementing these policies or direct individual departments or special phases of an agency's operations or who provide specialized consultation in a region, district, or area.
- *Professionals*—Employees who have specialized and theoretical knowledge, usually acquired through college education, job experience, or comparable training.
- *Technicians*—Employees who combine basic scientific or technical knowledge with manual skills obtained through specialized post-secondary school education or equivalent on-the-job training.
- *Protective Service Workers*—Employees whose duties relate to public safety, security, and “protection from destructive forces.”
- *Paraprofessionals*—Employees who perform some professional or technician duties in a supportive role and who have less formal training or experience than professional or technical employees.
- *Office and Clerical*—Employees who communicate within and outside their office setting and who record and retrieve information.
- *Skilled Craft Workers*—Employees who perform work that requires special manual skills gained from on-the-job training, apprenticeship, or formal training programs.
- *Service and Maintenance*—Employees whose duties relate to the comfort, convenience, hygiene, or safety of the public or who maintain public buildings, facilities, or grounds. Workers in this group may operate machines.

**Operating Budget**—The budget that encompasses day-to-day District activities. It includes employee salaries, supplies, and other nonpersonnel items related to current activities; debt service; and overhead costs.

**Other Services and Charges**—The object class primarily used to allocate funds for contracted services.

**Performance Budgeting**—A process that uses strategic plans and performance measures to distribute financial resources. Measurable outcomes gauge the ultimate effect of programs on the problems or conditions they are intended to affect.

**Personal services (PS)**—A budget category that includes objects for reporting personnel-related expenditures, among them Regular Pay, Other Pay, Additional Gross Pay, and Fringe Benefits.

**Private/Other**—Funding from sources including private grants and charges for services that are retained by the agency to cover the costs of the service provided.

**Program**—A group of similar activities or services organized as a sub-unit of an agency for accounting, budgeting, planning, and performance measurement purposes.

**Proprietary Fund**—A budget category that (emulating the private sector) measures net income. Expenditures are funded by user charges and fees, represented as enterprise funds in the CAFR.

**Real (constant) Dollars**—The value of current-year dollars adjusted to account for inflation.

**Redirection**—The permanent shift of funds or positions within an agency.

**Regular Pay**—Salary and wages for all continuing full-time employees.

**Reorganization**—Changes in budget and reporting structures within agencies.

**Reprogramming**—A temporary budget change to reallocate funds within an agency's budget to meet a purpose other than that originally approved.

**Rescission**—Cancellation of budget authority previously approved by the Council and Congress.

**Responsibility Center**—A component of a control center, the lowest organizational level shown in the annual budget request.

**Revenue Bonds**—Bonds the principal and interest of which are payable exclusively from the earnings of an enterprise fund.

**Revenue Category**—A general type of revenue, such as taxes.

**Revenue Class**—A specific type of revenue, such as real property taxes.

**Revenues**—Annual income of the District from taxes, charges, grants, and investments.

**Special Revenue**—Revenue sources (other than expendable trusts, special assessments, or major capital projects) that must by law be used only for specified purposes.

**Standard Industrial Classification (SIC) Code**—Categories used by government manufacturing, and the financial industry as a basis for classifying the activities of public, nonprofit, and private organizations. SIC codes are now being replaced by the North American Industry Classification System (NAICS).

**Structural Balance**—The degree to which revenues match expenditures over time.

**Subsidies and Transfers**—The object class used to allocate funds for certain public welfare and support costs and to transfer funds to other organizations, such as the Washington Metropolitan Area Transit Authority, that provide services to District residents.

**Supplies**—The object class used to allocate funds for consumable materials.

**System of Accounting and Reporting (SOAR)**—The financial management system used by the District.

**Total Full-time Equivalent (FTE) Employment**—A measure of employment that reflects all full-time and part-time staff resources in terms of a work year of 2,080 hours.

**Trust and Agency Funds**—Funds used to account for assets held by the District as a trustee or an agent for individuals, private organizations, or other governments.

**Transfers**—Reallocations of money or positions between agencies or funds.

**Unfunded Liabilities**—Potential or actual debts for which no current funding is available.

**WAE**—Abbreviation for when *actually employed*, referring to part-time staff paid on an hourly basis.

**Within-grade (step) Increase**—A salary increase awarded to an employee for longevity of service and acceptable performance.